SUBMISSION ON THE MAORI AFFAIRS INQUIRY INTO THE TOBACCO INDUSTRY IN AOTEAROA AND THE CONSEQUENCES OF TOBACCO USE FOR MAORI

TO THE MAORI AFFAIRS SELECT COMMITTEE
Chair: Tau Henare MP
Parliament Buildings
Wellington

I wish to offer a sociological analysis of the political economy of tobacco industry, as a personal research submission. I hope this may offer a broader perspective and aid discussion at the Inquiry Hearings. I offer in confidentiality because it is only a first draft, and I will be seeking its publication and conference presentation at a later date, and do not want its first draft to reach the public beforehand. There are some footnotes still lacking full reference details.

I believe my essay will speak most to the first term of reference for the Inquiry.

I personally endorse all recommendations stated in a separate submission prepared by me as Director of the Smokefree Coalition, but have made this personal submission simply as a highly educated member of New Zealand society, who finds herself privy to relevant important information and the analytical tools that can aid and benefit this Inquiry.

This is the private submission of Prudence Stone,
Wife of Duncan Mclean, Mother of two children, James and Norma Grace.

I wish for this submission to remain confidential.

TERMS OF REFERENCE FOR THE INQUIRY THAT THIS SUBMISSION SPEAKS TO:

The historical actions of the tobacco industry to promote tobacco use amongst Maori

The Political Economy of Tobacco: Relations, Influence and Power.

1. Tobacco’s Industry around the world and in New Zealand

In Summary:

Tobacco products are the result of a globally structured multi-billion dollar industry involving

- the farming of tobacco leaf. Maori featured significantly in this population during the time tobacco industry involved growers and labourers in New Zealand. The history of New Zealand’s growers and their relations with manufacturers and government will be summarised then compared to tobacco farming in Malawi and China.

- The manufacture of commercial products via, in New Zealand’s case, an advanced capitalist mode of production. This mode will be characterised in theoretical terms and historical context before the history of New Zealand’s manufacturing will be summarized.

- Distribution networks that involve communications across borders and with every nation’s government. Customs relations channel excise, goods and services tax revenue to government and profit margin information to the industry simultaneously. New Zealand is a case study of what sharing the same information streams as every government means for the global industry’s influence and power.

- A hierarchy of financial relationships with retailers depending on their membership to certain retailer associations. The economic strata this creates between independent (isolated) stockists and national memberships is explored in terms of influence and power, again New Zealand’s case is exemplary.

- Branding, marketing and promotion vehicles carefully crafted for localised consumer populations. A short list of the latest examples will be given.
Extensive research into the best practices for each of the above operations, accountable to the interests of tobacco’s corporate shareholders, that is, maximisation of return in investment, or profits. Research at the time of tobacco’s first connections with lung and heart disease last century was conducted by the biggest industry stakeholders then covered up for two decades.
2. The Tobacco Industry’s corporate structure, and its Means of Influence and Power

In Summary:

On every level of tobacco’s industry, and largely due to its corporate business structure and global multi-billion dollar proportions, there is a staggering history of political inequalities which occur as a result of tobacco’s ‘business as usual’, including

- unfair trade relations between growers and manufacturers in local areas. This is true in New Zealand’s case, but Malawi’s situation is worth the Committee being fully aware.
- Differential trade relations established by distribution agencies, smaller outpost companies set up in every nation by the global conglomerate, to deal with the local range of retailers. New Zealand’s case is just as open to corruption as any other nation’s because the business network and all existing communications through it are removed from government control and intelligence.
- Government complicity and administrative and legislative support for industry interests. This is true in New Zealand’s case, but it can be assumed that in non-FCTC nations, and in lower income nations, this complicity is amplified and shows again the industry’s global influence and power, and thus human capacity for corruption.
- The investment interests of shareholders given greater precedent over the health interests of tobacco consumers. CEOs and directors of corporations are legally obligated to report against shareholder interests, and this is why the tobacco industry’s executive level feels exempt from their product’s health impacts, and their lawyers can in fact defend this operative precedent.
- “Limited liability” also removes any legal accountability for the devastation tobacco products cause from those holding shares in industry corporations. $11 billion worth of investment in tobacco industry shares has just recently been dropped from Norway’s national fund as part of a new ethical investment policy.
- A cynical attitude toward its corporate social responsibility (CSR), that prioritises CSR’s public relations benefits over and above industry accountability. A case in New Zealand will be identified among other international examples.
- Consistently breaching local laws, knowingly and presumably after careful risk analysis shows it to be financially profitable. A case in New Zealand will be identified among other international examples.
- A seemingly bottomless pit to tobacco’s lobbying expenditure. This is despite continual public condemnation of any lobbying performed against tobacco industry’s interests by the tobacco control community. Personal experience with this ironic stance of the industry will be detailed.
- Another seemingly bottomless pit to tobacco’s litigation expenditure, including cases in New Zealand detrimental in result to its tobacco control community. More international examples will be provided.
- Innovative marketing and promotional vehicles that bypass local legislation attempting to ban tobacco product advertising. These include internet and other cross-national media formats that simultaneously reach New Zealand audience while evading New Zealand law.
- Comprehensive knowledge and research into the health impacts of tobacco use, reserved as confidential within the industry’s closed executive circles for decades and released to public only after court order.
3. **Standpoints to regard the Tobacco Industry.**

**In Summary:**

After providing evidence for all of the above, I introduce four prominent sociopolitical perspectives held in regard to the tobacco industry. They are:

- **A Global vs. Local academic perspective:** reviews the power/influence axis and disproportion between the industry itself and the local market populations it has economic, health, cultural, social and developmental impacts upon.

- **The Indigenous perspective such as Maori:** regards tobacco’s introduction into nation economies in terms of invasion, colonisation and monopoly. The difference in point of view between the alien invader and the indigenous culture is illustrated most succinctly by Maori’s case.

- **As a social/health epidemic:** the tobacco industry is seen as a vector of a host of illnesses and health conditions, a Pandora’s Box that is contagious and spreads socially while it harms physically. The tobacco industry’s products are the harbiter, carrying all this “possibility” just as the mosquito carries malaria, the flea bubonic plague.

- **A consumer aware perspective:** within capitalist society individuals are continually being engaged as consumers, turning their public spaces into commercial spaces. Consumption is psychosocial for the individual, but for the sellers of the tobacco product it is a profit margin. Branding, marketing and promotion of tobacco products are proactive engagements with the individual on psychosocial levels, but designed and operated on behalf of the industry owners for maximal return on that profit margin.

- **The Capitalist Economic perspective:** So long as there are shareholders in the tobacco industry, this business sector is booming, with brand new markets opening up in Africa and China. More and more investment into litigation lawyers and lobbying strategists appears to stem the globalising tobacco control movement, but smoking is cooler than ever, and research teams can focus on evaluation and testing for social addiction.
The Political Economy of Tobacco: Relations, Influence and Power.
Part One: Tobacco’s Industry around the world and in New Zealand
Introduction: A broad overview of Tobacco’s entry and establishment of consumption and trade amongst Maori by 1900.

Tobacco may be a plant that indigenous cultures in other lands smoked long before the colonial period, but in Aotearoa, it was introduced by the colonists. Tobacco is part of the woven fabric of New Zealand’s story of contact, settlement and colonisation. Maori had never seen tobacco leaf, and were alarmed when they saw the newcomers amongst James Cook’s crew alighting and inhaling its smoke. By this time, however, an industry had developed around its growth and manufacture for smoking consumption, that already encompassed great farming ventures, global shipping and investments in stock, and bound colonial traders from the Americas to India and Africa to Europe in great trading “companies”. Tobacco is woven into America’s story of contact with North American Indians, settlement and slavery of Africans. Tobacco was among the “native” discoveries of the New World that had initiated global trade routes, an “extractive” colonial economy, indeed secured “colonies” of growing European populations at distant outposts across the farthest oceans. Tobacco was among the first global products that could define and propel a colonial settlement identity: before James Rolfe’s arrival in Jamestown Virginia, for instance, this state was only fledgling, and it was tobacco that gave Virginia a global reputation (while it made one of the first modern “brand identities” for Rolfe).

New Zealand came to have a global reputation such as this, for farming in general, and perhaps ideally in sheep farming. The identity-lending properties of a land’s production at this time had to do with successful production and manufacture in one location, while providing for exponentially growing demands created by the globalising marketplace. This local vs global scale of the new world economy will be elaborated throughout this essay.

Within New Zealand’s broader farming identity developed smaller parochial ones, and tobacco had its place in forming Motueka’s provincial identity. The success of Maori growers and labourers is noted in historical accounts of tobacco’s industry in New Zealand, and given the status and political treatment of Maori in general during this period, had similar identity-lending (or myth making) properties for Maori themselves, by a nation willing to tout “best race relations in the world” to its global colonial community.

As an indigenous group situated in Aotearoa - the last place on earth to be colonised by a European nation - Maori entered the world of tobacco’s global political economy, equipped well with their own culturally developed ideas of trade and enterprise. Their Maori custom nevertheless rendered them at first ‘noble savage’ in the eyes of western traders and businessmen, because New Zealand’s entry into the global tobacco industry was when prejudices against indigenous customs – any and all – had been well pre-conceived.

New Zealand’s growers and their relations with manufacturers and government.

Whalers were the first to bring air-cured tobacco into New Zealand to trade and grow, in substantial amounts by 1839. It was grown extensively in the North Island. Flue-cured tobacco was not introduced in the Motueka-Riwaka area until 1924. Then the commercial production of air-cured tobacco ended in 1938 when adverse climatic conditions destroyed crops in the Hawkes Bay and the Bay of Plenty.

By the 1920’s a National Tobacco Company was sending agents out to persuade local farmers to plant tobacco and by the middle of that decade 150 acres had contracts with the Company. Then a second Company, WD and WO Wills. As early as the 1930’s, tobacco monopolised Nelson’s crops with up to 700 separate growers. But there were no more than fifteen tobacco companies ever established to buy and manufacture cigarettes from the crops. A Growers’ Association was established to lobby to government for customs support to ship crops abroad, but got nowhere. By the middle of that decade there was over-production for the local manufacturers to pick and chose from.

The financial inequality that always occurs in this ratio of sellers to buyers leads to politics. Growers are not protected from a debasement in their product’s value in a “buyer’s market”. A season’s worth of labour time is in that product for the farmer, there may even be wages yet to be paid, waiting for sale day. This may all count for nothing if manufacturers have already fulfilled their production quota, and don’t want any more. Maori
farmers may have dominated tobacco growing in Nelson precisely because their customary knowledge of Aotearoa’s land and weather kept them ahead of crop schedule, harvesting faster crops or perhaps setting the standard in leaf quality. This is where the advantage stopped however. At the market, Maori growers were subject to interaction with manufacturer representatives that reflected the inequality in their financial relations.

Growers in the region developed their own cultural practices. Myths, misinformation, and stigmas surrounding leaf rejection developed in the population. Growers generally remained confused about the selling of their product, with no ability to change the method of sale to better suit them. There was terrible waste because of this condition, and it remained the political economic climate for growers long after a Tobacco Board was established by government officially to control its inherent inequality and to regulate trade through a levy and licensing scheme. Growers’ levies paid for a Tobacco Research Station that was set up at Umukuri in 1938.

The confusion leaving growers in New Zealand “behind” in terms of knowledge at the point of sale was also a condition of the global economic context. Like all of the colonies, New Zealand’s farm economy developed at a time of industrialisation in other parts of the world. Business practices and modes of production operations developed rapidly, and a world of corporate finance began defining and codifying trade in increasingly commercialised terms. This development will be explored in greater detail in a later section. Tobacco manufacturers had been part of this global development and in New Zealand this gave them an ability to set practices to their advantage amidst local communities that comprehended economy in more holistic and/or land-locked ways. This is as much true for the growers community as for the New Zealand government, small and young in its administration.

Tobacco farming in Malawi and China.

There are millions of tobacco farmers worldwide, and around the world the tobacco industry’s manufacturing corporate representatives manifest economic monopolies such as the one that occurred in New Zealand, as well as manifest government administrations that regulated tobacco’s internal trade economies to their advantage. Wherever there is inequality in the economic relations between growers and manufacturers there is also terrible waste in the conditions of tobacco grower production, due to grower ignorance and continued confusion of best practices.

In Malawi, for example, tobacco farming leads to environmental damage and deforestation. Land devoted to farming in Malawi has doubled since the 1960’s, and accounts for over 100,000 hectares (over 1% of its agricultural land). But 26% of Malawi’s deforestation is because of tobacco farming, and there is no regulation of the use of pesticides. Malawi is the 13th poorest country in the world. Malawi’s growers are so financially weak in their position to negotiate, but so vast proportionately in their national population, that their entire nation’s economy has become dependent upon tobacco’s price in a global export marketplace. This national dependency upon tobacco leaf’s global quality index is characteristic of many third world grower nations and allows the manufacturing conglomerates (there are seven leading transnational tobacco companies) to monopolise their industry’s key natural resource.

Malawi’s situation as a citizen within a global economy is compromised by its dependence upon tobacco farming, and remains locked into growing and trade conditions that sustain this disadvantageous compromise. Maori growers in Motueka are perhaps lucky that New Zealand’s State tobacco monopoly broke up in 1987, leaving its funds to the New Zealand Tobacco Growers Federation for compensation for loss or damage to crops. It may have been a multi-million dollar blow to Nelson/Motueka district’s community, but this prevented the development in New Zealand of the same situation of economic dependence and relegation to third world citizenry which has occurred for Malawian tobacco farmers in the global marketplace.

China’s State tobacco monopoly has lasted long after New Zealand’s, and was communist in political origin as well as structure, as opposed to New Zealand’s merely socialist precedent. Like Malawi, tobacco farming takes up well over 1% of China’s agricultural land, and accounts for 18% of its deforestation. But China is also the largest manufacturer of tobacco products in the world, and its manufacturing increased from 225 billion
cigarettes annually in 1960 to 1.7 trillion in 1995. Perhaps a million workers in China are employed in the manufacture of cigarettes.xxvi

A Communist State tobacco monopoly meant in theory farmers and manufacturers traded and operated within regulated models that at least kept wages consistent and yield waste minimised. This essay does not have the evidence to comment on how real this was in practice. But when China’s Communist regime fell, British American Tobacco (the transnational tobacco company with largest shares in New Zealand’s tobacco market) were active in ensuring China’s swiftest entry into the World Trade Organization.xxvii This is because those populations, operations, trade routes and information pathways for tobacco industry already established and ensuring tobacco’s use and demand within China would be opened for capitalist enterprise. Any public health and state service position held by the Chinese government’s monopoly of tobacco production would be severely undercut by transnational tobacco company’s entry and capitalist manipulation of trade relations inside China. With an aim to win preferential treatment by the Chinese government once its market opened up after entry into the World Trade Organization, British American Tobacco was determined to gain a firm grip in China’s colossal cigarette market.xxxiii Even a large government with such a sustained monopoly is vulnerable, given its relative youth within capitalist forms of economy, to the transnational tobacco companies’ ability to manipulate and monopolise.

The Capitalist mode of Production

The beauty for economists in the concept of capital is that it has by definition the means to re-create itself, and the potential to produce even a surplus.xxvii Devoted capitalist economists believe this “value” is high enough to deserve philosophical protection, universal “freedom” in the marketplace. This belief in capital’s universal “good” in economic value has come to be known as “laissez faire”, was pronounced and dominant in Victorian England and characterized its industrialisation and imperial acculturation of the colonies. Simon Chapman argues that the tobacco industry is a “beacon” of this philosophy,xxx because tobacco was among the first extractive products brought from the colonies for manufacture in England.

At the height of this era came the populist interpretations of Charles Darwin, which accompanied the laissez faire attitude to business. These assumptions allowed industrialist capitalists to maintain that tobacco use was yet another behaviour, a decision chosen by free citizens in a fair marketplace, that in principle should be protected as a “right” of the consumer. “Free competition is the most effective form of consumer protection yet devised, for it places the decision of whether to buy and which brand to buy firmly in the consumer’s own hands. Armed with full information about the price, quality, performance, or characteristics of a product he is free to make an informed choice.”xxviii

In terms of socio-political as well as economic capital,xxxii a consumer’s freedom to choose a product in general becomes sustainable (can reproduce itself) via this protection. Then when a particular product’s manufacturer has further resource to create its “demand”, this freedom holds surplus value for the monopolist of its demand. This monopolist is the “capitalist”, who owns the means of the product’s manufacture, and reaps all returns on its sale in the marketplace. How is there profit (surplus value)? All resources it takes to manufacture the product must simply be less than its cumulative sales revenue. The industrial age was characterised by this economy of resource and labour power to produce maximal profits. Some of the most renown technological advances were made in the tobacco industry at this time in the interests of reducing resource costs and labour.

Perhaps the most profound technological advance in the Industrialist era was the abstract transformation of labour power. By owning and monopolising the best means of production, capitalists also determined labour conditions for rising urbanising populations of labourers. These men and women knew of their labour in physiological terms, and saw pride in it when the product of their labour could finally be finished in their hands, or cooked and finally in their bellies. Industrial conditions removed this experience of pride; the means of production placed labourers inside mass operations where roles were isolated and routine inside whole production lines. Labourers were forced to abstract their labour power into units of time for the purpose of calculating a wage. The capitalist owned all the end-product of the worker’s labour, and the worker earnt from him the wage-means to purchase freely in the marketplace (where the capitalist was selling freely).
The working conditions and wages of industrial era labourers is well known as some of the worst conditions for humanity known in history. Child labour was prolific, safety and health security were not established rights for workers, indeed, as owners of their labour power worker’s “freedom” to sell labour in units of time to capitalists was more protected than their “rights” as citizens of the public sphere.

The manufacturing processes for tobacco transformed a great deal during the Industrial age, with radical technological advances and innovation that enables the industry today to mass produce over five trillion cigarettes a year.\textsuperscript{xxxiii} The mode of production minimises human labour time at all: perhaps 2 million people are employed worldwide in the manufacture of cigarettes, effectively as administrators to the huge mechanised operation and the fixed capital’s maintenance. The transnational tobacco companies own these means, and with minimal wage labour, maximise their profit margin in production costs the greater the means of production is mechanised.

**Manufacturing in New Zealand**

New Zealand’s distance handicapped tobacco manufacturers’ ability to keep up with industry’s technological standards abroad. Only a handful of companies set up in New Zealand to manufacture, and all tobacco products manufactured in New Zealand have been for domestic consumption.\textsuperscript{xxiv} From 1938 this was administered by a state Tobacco Board, whose infrastructure was set up to favour and promote the domestic producers over imported tobacco products. As a result, the infrastructure also appeared to cater manufacturers’ advantage in trade relations with growers. The District Average Price System, for example, made it difficult for individual growers to excel except at the expense of another grower at the other end of the scale, and in effect, prevented any solidarity amongst the grower community.\textsuperscript{xxxv}

With the ratio of growers to manufacturers, a government facilitation of industry set up to favour domestic production, and systems such as average pricing imposed on tobacco leaf, the capitalist enterprise of tobacco manufacture in New Zealand was protected from the international market’s “free” and expanding capitalist competition, while New Zealand growers of tobacco increasingly competed against international exporters of tobacco leaf for sales to these manufacturers.\textsuperscript{xxvi} By the 1970’s it was clear manufacturers were manipulating domestic farmers’ competition with international growers through stockpiling and other debasement excercises just as they did in other parts of the world. The New Zealand Tobacco Growers Federation called it a deliberate “running down” of the farming industry from no decline in total usage but simply further reductions in the use of domestic tobacco leaf and its subsequent manipulation in price.\textsuperscript{xxxvii}

It appears the Tobacco Board, New Zealand’s government administrative body set up to facilitate fair trade between growers and manufacturers, was just as easily manipulated by the local manufacturers as the growers. In 1975 it was lobbied to and agreed to make available funds to assist manufacturers with purchasing domestic crop (in good faith that domestic crops would be favoured over imported leaf). An increasing amount of finance was made available in each succeeding year, but these funds were never uplifted in the spirit with which government originally entered into the agreement, that future orders and usage by volume of Domestic quota leaf would not decrease. It annually decreased thereafter, and the New Zealand Tobacco Growers Federation protested to the Minister of Trade and Industry: \textsuperscript{xxxviii} 

“Of the three Tobacco Manufacturers, the Rothmans Tobacco Company is the only one in a position to use a greater quantity of Domestic Leaf. They have traditionally used a lower percentage than the other two companies....as the Rothmans’ share of the market increases so the percentage of Domestic Leaf used declines. The (growers’) Industry is trying to compete with cheaper leaf imported from low cost countries and a cut of the size envisaged by the manufacturers would reduce efficiency and force up the price sharply. Domestic Leaf would thus be made to appear even less attractive to the Manufacturers and would create further arguments in support of their buying and using a smaller and smaller quantity each year. This spiral must be broken and action virtually necessary now before the planting up of next season’s crop.”

By this time the entire local economy of Motueka’s and Nelson’s district at large was dependent in some way on the successful growth and sale of tobacco leaf. Manufacturers’ undermining of this domestic product was effectively reducing work opportunities, creating setbacks in farm education, contracting, service and trade, undermining investment, forcing many growers out of business, devaluing the remainder, and thus eroding the potential quality of future crops.\textsuperscript{xxix} In effect, manufacturers insured a monopoly on price in accordance with capitalist interests to maximise the surplus value in the manufacturing process, while hurting a once thriving and proud local economy of which Maori were a significant part.
The Distribution of Tobacco Products and Industry Information.

Perhaps the best illustration of growers’ relative weak position within the tobacco industry is the proportion of its cut of the consumer spend. For every $1 spent consuming tobacco commodities, only 4% goes toward the tobacco itself. This is less than on other non-tobacco materials that go into cigarette manufacture. The bulk (43%) of the spend goes toward financing the fixed capital of tobacco manufacturing, and then over a fifth more is for wholesale, retail and transporting products to the marketplace.

This indicates the big business inherent in tobacco’s commodity trade and global distribution. America is the largest exporter of manufactured cigarettes, accounting for nearly 20% of the world’s total. China has quietly emerged as a significant exporter also, increasing from virtually no exports in 1980 to over 20 billion cigarettes exported in 2001 (worth around $400-500 billion). The distribution of tobacco commodities leaves New Zealand’s gross national product for dust.

To handle this multibillion dollar trade and distribution network of tobacco commodities, the tobacco industry has developed some of the most powerful transnational commercial companies in the world. In New Zealand the greatest share of the consumer spend is taken up by British American Tobacco (BAT), its global headquarters in England. Worldwide, BAT’s annual revenue is over US$31 billion, it is the second largest company behind Philip Morris, with 15.4% of the global market share. BAT holds an 80% share in New Zealand’s domestic market (less than 1 million smokers); if they lost this population tomorrow, it would barely blip the global revenue.

These mega-companies grew as state tobacco monopolies declined in the late twentieth century, privatising in an effort to “free” market competition for localised or national trade. Through this period the larger established and transnationally operating companies purchased many of these smaller enterprises, either merging or embarking on joint ventures in the interests of creating corporate growth and industry monopoly worldwide. As a result of this merger period, there remain only a few local or national tobacco companies left, competing against the seven massive transnationals, all of which operate revenues in the billions of dollars.

With worldwide monopoly in commodity trade comes priviledged access to the controls put in place by every state to regulate and monitor its trade routes and information. This is indeed the purpose of establishing commodity trade monopolies, and the traffic in cigarettes is so prolific, its revenue so abundant, that the likes of Philip Morris, Imperial Tobacco and BAT enjoy an influence over the very way state trade routes are administered and monitored. This is particularly so for nations like New Zealand, nations whose entire gross national product is merely relative in comparison to the tobacco industry’s, and whose governments must jump in the industry’s pockets to create trade routes at all for their public.

According to government reports collected by the World Health Organisation, around 846 billion cigarettes are exported but only 619 billion are reportedly imported each year. Statistics like these indicate how many tobacco commodities slip past state administrative systems, suggesting something sinister in the extent to which the largest transnational companies have monopolised trade. Where it suits them, they may slacken appropriate border controls and information pathways, stunt enforcement or corrupt state officials, and certainly have the power and influence to do so. One example is BAT’s alleged influence upon the European Union’s development of its “Impact Assessment” tool for reviewing new policy. PloS Med researchers found that BAT had promoted a lobbying campaign to alter EU policymaking rules, resulting in specific changes to the EU Treaty that may stall or even prevent future EU public health regulations. EU officials were left unaware of BAT’s influence due to its campaign use of third parties to lobby their interests.

The latest innovation in Philip Morris’ corporate structure appears to be in order to evade any nation’s regulatory measures on trade whatsoever. Philip Morris International (PMI) set itself “free” from Philip Morris USA and is likely to have its global headquarters in Switzerland, a nation renown for giving business protection and exemption from foreign regulatory intervention. An independent PMI based outside the US will be immune to domestic regulation or litigation in domestic courts!

Financial relationships with retailers

Retailers are not all equal. Depending on their location, isolation or network association, and level of sales, different retailers come to hold very different stock and distribution relations with the tobacco companies. Retailers in populations with a high density of tobacco’s target market (adults 18-24 and younger) receive
payments from tobacco companies for the right to advertise cigarettes in their stores. As other marketing and promotional vehicles become banned under FCTC guidelines for complying nations, these payments have risen up to 50%, indicating the importance of establishing this marketing vehicle wherever target populations are accessed.

Retailers in isolated parts of the world can form independent distribution networks with tobacco suppliers. New Zealand’s situation is extremely unique because of its small population across a vast land area. There are up to 10,000 tobacco retailers in New Zealand, and there are perhaps no more than a thousand New Zealanders working in manufacturing and distribution for transnational tobacco companies. The New Zealand Convenience Store Association and the New Zealand Retailers Association are two network associations that have formed to lend influence to these groups as a collective. These associations are well supported by the local chapters of the transnational tobacco companies, and over time have become powerful third party groups that speak on behalf of (“lobby”) tobacco retail interests.

In 2009 Dave Bryans, CEO of Convenience Store Associations Canada, is a former Director at Imperial Tobacco (second largest transnational tobacco manufacturer in New Zealand) was flown to New Zealand to speak at the New Zealand Convenience Store Association Conference. He lobbied to members for an hour about Canadian state Saskatchewan’s tobacco retail display ban, and what it did to businesses there. He was preparing retailers here to get prepared and organised, to fight this politically on behalf of tobacco sales, should tobacco control ever come to this in New Zealand parliament. In fact, Hon Lees Galloway holds a private members bill precisely introducing a tobacco retail display ban in New Zealand parliament currently.

New Zealand tobacco manufacturers are likely to concentrate upon this greater lobbying power of associations, which in effect cuts distribution costs and speeds information throughout a broad network, and leaves the tobacco representatives able to work from an urban centre. But this gives privilege to the stores willing to be its members, and hastens further isolation for those that are already remote, and cannot spare the annual membership fee. Such an inequality of supply chain distribution actually allows for corruption in the process and discrimination within interactions between tobacco representatives and retailers.

Branding, marketing and promotion vehicles

Branding, marketing and promotion signify the three levels of which tobacco representatives consider “pitching” to the consumer. On a one on one encounter with the product, every consumer will be confronted by its basic promotion, but tobacco marketers contemplate all these consumers as populations, in order to know more sociological characteristics of consumer “demand”. Promotion is when the product lends its option to the consumer in the market place, while marketing is when the consumer is driven, herded, into spaces where the product is lending this easy option.

Branding is neither of these and sits upon these lower foundational levels of consumer “loyalty” and establishment of dependence. The brand exercise is when the capitalist him or herself gains a successful business reputation on the consumer demand for this company’s product. Alone amongst fair competition s/he establishes recognition, and the product gains association with certain identities attached at that popular recognition. Use of the logo and/or key messages (“slogans”), colours and packaging that at once promote to newcomers, but have real capacity to hail and hold oldtimers, is the common example of branding exercises.

Philip Morris International’s Marlboro brand portfolio is the largest (global) case of this higher level vehicle of tobacco promotion. Marlboro’s products are marketed to so many local loyal populations with variances significant enough to warrant product variants under what is called “the new Marlboro architecture”. Inside this architecture are three pillars, Marlboro Red, Marlboro Gold and Marlboro Fresh, each constituting any number of product variants for specific consumer preferences in any number of nations with considerable consumer populations. The three pillars will represent the different means of production and manufacturing, out of which Philip Morris’ global outreach posts for particular market populations stretch distribution channels like octopus arms around the world. In this way branding determines a far greater orchestration of manufacture and distribution.

Philip Morris holds New Zealand’s third largest share of tobacco brand consumption, but other New Zealand tobacco consumer share holders have given evidence of their branding, marketing and promotion that are revealing of their attitudes toward the health impacts of smoking for their consumer audience. In the case of differentiating product by gender: “...women are more neurotic than men...there may be a case for launching a female oriented cigarette with relatively high deliveries of nicotine...” (BAT 1976): of differentiating by race:
“...Thinking about Chinese smoking statistics is like trying to think about the limits of space...” (Rothmans, 1992): of differentiating by age: “...It is important to know as much as possible about teenage smoking patterns and attitudes...The overwhelming majority of smokers first begin to smoke while still in their teens...the smoking patterns of teenagers are particularly important...” (Philip Morris, 1981).

{ It would be interesting to know exactly what attempts BAT has made, and whether these attempts have been executed and indeed successful (without the consumer market ever knowing) to approach Peter Jackson with some method of capitalising upon his worldwide reputation as a film director, the fact that he is from New Zealand, and that he shares his name with a successful brand of cigarettes here in New Zealand. Speculation is worldwide following James Cameron’s direction of Avatar, just where and how far back, or even who specifically ever made the product placement negotiation for cigarettes to be featured in this film (Cameron has a history of tobacco product placement in his films). }

Business deals between tobacco marketers and sportsmen, famous actors and actresses, famous singers and musicians, sports event planners or cultural event planners, are abundant through the tobacco industry’s history. In New Zealand’s case there was broad association, in marketing vehicles, between both doctors and nurses and smoking. There was Benson & Hedges sponsorship of cultural events and a Rothmans Sports Series. Such vehicles not only promoted tobacco use but discerned particular preferences and identities amongst New Zealand’s population to market to, and then developed national brand recognition around these preferences and identities.

New Zealand’s most recent acclaimed television drama Outrageous Fortune features tobacco use. This program celebrates, through parody and character study, a particular “bogan” culture familiar to all New Zealand. { Again, it would be interesting to know exactly what attempts the tobacco companies have made to put specific product placement for its promotional value on this programme. }

New Zealand banned tobacco sponsorship of cultural and sports events, disabling the branding exercise that came from being associated with specific cultural identities. It is doubtful the tobacco companies have ceased “support” for various cultural and sports events in New Zealand, however, through product placement negotiations, exclusive rights to sell and/or promote products in privatised locations, and in effect breaching these laws of New Zealand. Tobacco companies may conduct a lot of this form of branding, marketing and promotion through its established third party support groups and associations. { It would be interesting to know exactly what financial relationship there is between tobacco companies and the Rhythm and Vines Festival held every year in the North Island. This festival caters to a young adult population of Dance/Ire music lovers, and has a high Maori demographic. }

Tobacco Company Research

By 1963 Brown and Williamson (BAT’s parent company) had privately determined with internal research that nicotine was the addicting agent in cigarettes, but in 1994 CEOs of all seven leading tobacco companies declared publicly that they still believed nicotine was not addictive. In the spirit of capitalist competition, there is little doubt that this secretive knowledge and pre-emptive research of the industry forms the general character of Tobacco companies’ information resources.

To this point this essay has focused on breaking the tobacco industry down into its various parts, growing, manufacturing, distribution and supply, retail, branding, marketing and promotion. None of these compartments of tobacco’s industry have neglected undertaking highly competitive research and evaluations to ensure each company’s economic advantage over other companies. New Zealand’s Tobacco Board established a Tobacco Research Station that all the manufacturers reportedly collaborated with in the research and evaluation of strategies against tobacco moth infestation, “broomrape” and aphis control upon tobacco farms in Motueka.

Inside each tobacco company are whole fleets of marketing researchers, supply chain monitors, customs and sales/export and import statisticians, stock and bond trading specialists, branding gurus, designers and information architects. Knowledge is a form of social and cultural capital that is invested in heavily, in the interests of its developmental return in terms of innovation and breakthrough, and the resultant (calculated) economic advantage over the competition. Most importantly, all research and evaluation endeavours inside the tobacco industry are in the interests of maximising a company’s competitive advantage in the marketplace, both in cigarette sales and in stockmarket exchange.
With mounting evidence that tobacco use was related to lung and heart health and poorer health generally, this highest precedent (to maximise competitive advantage) of the research conducted by tobacco companies did not alter, but it now faced an opposing precedent of another research sector, the precedent of scientific fact. Health research is renown for its rigorous scientific scrutiny, and uses the Hippocratic oath to guide its methodology. Given the millions of dollars of funding and sponsorship health findings can lead to in terms of government programmes and sector policy, pharmaceutical development and further results-based evaluations, health research and science becomes very difficult for the tobacco companies to refute or ignore.

But refute and ignore is precisely what the tobacco companies did, for 22 years, in fact. Moreover, in finding nicotine’s addictive quality through its own research bodies, Brown and Williamson’s highest representatives secretly acknowledged the commercial interest for the company in these findings, as well as keeping this information secret, and carrying on with business as usual. What’s more, they have systematically destroyed internal research documents and have legally set out to protect others from public scrutiny, because their own research findings not only confirm and expose tobacco’s causal link with the long list of illness and disease health researchers have tested and proved, but also show what little relevance these links have to their industry’s production and commercial interests.

When courts ordered tobacco companies to reveal these documents and forced a shift in the industry position on the relation between smoking and illness and disease, tobacco companies made great efforts to maintain their industry’s innocence. BAT’s head of science and regulation has only ever gone as far as saying tobacco use “can be seen to be addictive” Within statements that make some concession such as this one, tobacco company official statements consistently go to greater lengths to explain tobacco use to the choice of the consumer, and in this way pass the responsibility of addiction on to tobacco’s users. George Thomson and Nick Wilson argue that the tobacco industry in New Zealand has been consistent with other tobacco companies around the world in this respect, not informing New Zealand smokers for years that its products were addictive, playing down the meaning of addiction, and finally, obstructing the legality of placing health warnings upon tobacco products regarding their addictive nature.

Part Two: The Tobacco Industry’s corporate structure, and its Means of Influence and Power

Introduction: The political impunity of tobacco’s transnational companies

On every level of tobacco’s industry, and largely due to its corporate business structure and global multi-billion dollar proportions, there can be seen a staggering potential for inequalities which occur as a result of tobacco’s ‘business as usual’. But this capacity for social inequalities between different groups in tobacco’s distribution of labour is not unique to tobacco: ‘business as usual’, because economists have devotedly protected and upheld the value of freedom in the marketplace, has been granted a certain impunity from ethical evaluation.

A business, of course, does not operate like humans operate, with feelings and irrational responses. A brand guru can lead consumers to associate their own feelings and irrational responses to products with certain cues, colours and words, but the business behind that brand guru’s employment is a historically constructed platform for conducting production’s operations. It has no capacity to make moral decisions: it is the same platform whether the corporation makes bread or cars, magazines or cigarettes.

The corporate business structure has been historically crafted as a platform that upholds and protects the laissez faire capitalist principles of the free market. The facilitation of trade has been developed and innovated through and beyond the industrial age with the greatest economic value forever maintained: to maximise profits. As a platform of guiding principles, the corporate business structure’s only true existence is in law: there is no other real or material basis to it. When we speak of “the tobacco industry”, we must remember that like any other industry, the form and basis of its existence is the completely legal precedents of ‘business as usual’ capitalist enterprise.

The first commercial organisations that resembled modern corporations were the seventeenth century imperial shipping organisations, where traders formed societies in order to establish trust networks as trade spread around the world. In New Zealand there was the New Zealand Company, an association of active traders who, in partnership, obtained monopoly trading rights in the newly formed colony from the Crown. Traders formed broad partnerships, or societies, to pool their actual stock-in-trade, transfer it to the Company in value, then took shares in the company in exchange.
Over the colonial years this “joint stock” company form was developed legally, and as it did so the concept of “shareholding” grew conceptually distinct from trade and its locations. Shares in the joint-stock company could be traded to people who didn’t understand business at all, and simply saw the rise and fall of stock’s value a gambling instrument for making money. Once this gambling principal of joint-stock value caught on, governments of the colonies sought to give it formal legal recognition. It was a great concept for raising capital, enabling significant commercial ventures linking resources with marketplaces anywhere in the world.

Governments of the colonies were young and heavily populated with the successful businessmen or with family connections to them. The Wakefields or the Mcleans of New Zealand make most recognizable cases in point. Acts were passed in the nineteenth century that insured greater ease of registration for companies, and that distinguished them from “sole proprietors” or “partners” in terms of shareholder liability. Shareholders with any amount of distance from the trading practices and manufacturing processes, demanded protection in law from the accountability of those practices and processes.

By the end of the nineteenth century, corporate lawyers and family connections in colonial positions of power had made sure that every action and means of a company were protected by the singular end, a principal of maximised gain in capital. Such legal and political developments also loosened rules on merging companies and acquisitions. By the turn of the twentieth century, the corporation was a slick vehicle for concentrating capital and power in the hands of a few well-connected global imperialists.

All of these changes in the west have been incremental through a system of legal progress that makes local legislative development applicable everywhere and to all corporations in the future. This peculiarity of law is called its principal of precedent and formal equality, meaning “from then on” the law made in one place is good for all. This principal has historically been used by industry owners to safeguard their maximisation of profits, and it is why the tobacco industry is populated heavily by star litigators and professional lobbyists.

**Shareholder interests and Limited liability**

In company documents of the transnational tobacco corporations there is a common reference: “the best interests” of the corporation and the shareholders. “Best interests” are of course the maximal return on a shareholder’s investment, the maximal profit margin created through the capitalist ventures of the trade and manufacturing practices of the company.

There may be labour codes within a country like New Zealand, and there might be environmental laws, and there is always “common law”, and these all apply to corporations. But the profit maximisation imperative restricts activities: an individual working within a corporation might support health or environmental objectives and be inclined to make work decisions based on personal decency, but is legally bound not to by the corporations “best interests” principal when such decisions are seen to impede profitability. As Callard, Thompson and Collishaw put it “neither employees, nor managers nor directors have the legal right or ability to change the corporation’s sole focus on profit, or to act contrary to the corporations’ mandate to make money for its owners.”

This is how the tobacco industry’s executive level feels exempt from their product’s health impacts, and their lawyers can in fact defend this operative precedent. Tobacco industry Chief Executives are legally accountable through Boards of Directors to their shareholders. They are not accountable to the general public. It might be called “nanny statis” to ask government to protect and serve its constituency, but what is it called when corporate law protects and serves its CEOs?

Individuals unfamiliar with how law works might simply believe that the owners of a business are accountable for all impact that that business has on its workers, its customers, its environment. For small business this is indeed the case, but corporate law sees to it that shareholders do not have the same moral commitment to the impacts of the corporation. “Limited Liability” is a clause that enables shareholders to enjoy all the benefits of owning part of the joint-capital of a corporation, but suffer no consequences if it is found that the corporation’s maximisation of profits is at the expense of any morality.

Thanks to limited liability, there are individuals around the world, maybe sitting right next to you, who have shares in transnational multimillion dollar companies they know very little about. They might seek no information about the labour conditions for workers, or health impacts of their products. All they know is what return each share in the company is at present, and as far as an investment opportunity is concerned, this is all they ever want to know as gamblers on the stockmarket.
Corporate law has created a perfect loop of accountability: chief operators and decision makers are accountable to shareholders, and shareholders - while effectively “owning” percentile shares of the corporation - do not hold any accountability to its operations and impacts. The accountability of Chief Executives to shareholders is limited to their “best interests”, not moral interests, or even public relations interests, but to the narrowest sense that term implies in terms of maximising financial return.

It would be interesting to know what amount of New Zealanders invest in tobacco company shares. Interestingly, Norway’s government recently announced that for ethical reasons, it would drop tobacco company shares from its large national investment portfolio.

**Corporate Social Responsibility**

The latest legal developments within transnational corporate structure is in direct response to this ethical vacuum, but cynically performed, almost as if it was a public relations exercise. Corporate social responsibility (CSR) is developed in policy documents in the “best interests” of its shareholders, much like any other activity of the industry. That is, when socially responsible activities are proactive in generating their own return on investment, and can become one more capital means for shareholders to add value to their stock.

Latest cases abound month by month in the news. BAT’s subsidiary in Pakistan, Pakistan Tobacco Company, co-sponsored the government-backed corporate summit on climate change 2009. In Canada, BAT’s subsidiary Imperial Tobacco Canada, recently advertised its new ‘environmentally friendly’ cigarette packaging, made to reduce the company’s impact on the environment by meeting “standards supporting forest management.”

Such strategies are weak performances of any real responsibility for the consequences of the tobacco industry’s ongoing production and sale of cigarettes. An industry that, clean capitalist operation or crony capitalist monopoly, has a product that is harmful and addictive when it is used exactly the way it’s intended. Continuing production at all is arguably unethical in and of itself: continuing production of the cigarette with no plan to phase it out as soon as possible would be the start of a true CSR strategy.

Thomson and Wilson argued the tobacco industry did not come near a socially responsible strategy upon finding conclusively in the 60’s that the addictive substance in tobacco was nicotine, and tobacco smoke was carcinogenic. Instead they publicly denied it for decades, continued to promote the product, and made no attempt to minimise the harm already caused to smokers, refused to compensate without litigation, and opposed government attempts to control and regulate its supply and promotion.

The Pakistan and Canadian examples of CSR are actually forms of Greenwash. Greenwashing is the “unjustified appropriation of environmental virtue by a company…to create a pro-environmental image, sell a product or a policy, or to try to rehabilitate their standing with the public and decisionmakers after being embroiled in controversy.” The hypocrisy is too apparent, however, when the industry’s product destroys an essential environment, the human body, while it sponsors and associates itself with environmental initiatives.

Greenwashing is a cynical attempt to turn CSR into a public relations and even a marketing exercise. This reflects Thomson’s assertion that all CSR strategy is written, risk-analysed, and executed strictly in shareholders “best interests”.

**Testing the Boundaries of the Law**

For all the tobacco industry’s litigators and legal advisors, it nevertheless is seen to flout and test the boundaries of the law with its behaviour, showing very little respect for the instrument that does so much to protect its corporate interests.

In Australia BAT’s subsidiary launched in 2007 a range of twin compartment Dunhill Distinct “wallet” packs. The pack of twenty was actually two thinner packs, one with 13 and one with 7, that were easily perforated apart outside its plastic, and suspected to be designed for cost-sensitive consumers, such as schoolkids, splitting the cost between two. Packs in Australia must contain a minimum of twenty cigarettes, but this innovation in packaging both complied and laughed through its loophole.
The tobacco industry has for years used terms such as “low delivery”, “light” and “mild” to discourage cessation and promote continual consumption by indicating less health impacts from such labelled products. Tobacco companies refused to relinquish the use of such words in their promotional material without litigation, and it was in only the last decade that law has been put in place to guard against the misuse of these indicators in promotional material. Janet Hoek in New Zealand joins a fleet of international researchers gone to pains to show the evidence to government and to consumers that cigarettes labelled in such a way are no less harmful and their use could reduce quit attempts.

In Uzbekistan, the smuggling of BAT’s cigarettes, BAT’s reversal of tobacco control legislation and its human rights abuses of tobacco farmers have all been documented after the release of BAT’s documents through litigation. Further analysis of BAT documents show BAT secured sole negotiator status that precluded Uzbekistan government from initiating discussions with other parties, negotiating a monopoly position in a closed deal with President Karimov. On close scrutiny, Uzbekistan’s revenue was reduced through ongoing exemptions and privileges BAT secured in this deal.

Uzbekistan is by no means the only place where BAT’s own complicity in the illicit trade of their cigarettes is evident. According to LeGresley et al, BAT has relied on illegal channels to supply markets across Africa since the 1980s. On close analysis of internal BAT documents and industry publications, smuggling has been an important component of BAT’s market entry strategy. Through this method BAT’s distributors and local agents exploited weak government capacity and unstable political and economic conditions in order to negotiate tax concessions, circumvent local import restrictions, and gain market presence.

The “Engle progeny” in America alludes to the thousands of plaintiffs against American tobacco companies following the landmark verdict awarding $145 billion in punitive damages against tobacco companies for Dr Howard Engle’s lawsuit accusing them of knowingly addicting people and failing to warn them of the dangers of continuing to smoke. This verdict was subsequently overturned after its appeal, but it opened up the floodgates. Plaintiffs are a growing population of suffering and addicted smokers who have become aware of the Industry’s crimes of silence and deception, and are brave enough to attempt to use the tobacco industry’s own well-slicked weapon against them.

Litigation and lobbying like bullies.

The tobacco industry will carry on with a seemingly bottomless pit to its litigation expenditure, because all costs in fighting and appealing punitive damage is seen to protect ‘business as usual’ practices and indeed the ongoing production and retail chain of supply and demand. But the legal investment of the tobacco industry is much larger than a fleet of defense lawyers for fighting punitive damages. The tobacco industry will use its legal arm as another threat-opponent to tobacco control. Because it has the capacity to deplete the financial resources of the tobacco control community should they come to blows in court, members of the tobacco control community feel hesitant to say a lot they know, for fear of defamation suits and breaches to the fair trade laws of the free market.

Guardino and Daynard argue that tobacco company lawyers are involved in plenty of other bullying style activities beyond the practice of law, such as attempting to influence company scientist beliefs, vetting in-house research, and instructing in-house scientists not to publish potentially damaging test results. Company lawyers were found to have attempted manufacturing attorney-client priviledge and work-product cover to assist companies in protecting their sensitive documents from disclosure. Litigation tactics have successfully prevented lawsuits against their clients, the tobacco companies. All of this is evidenced in reports that were not disclosed to public scrutiny until court order.

I have already outlined the tobacco companies’ monopoly of Malawi’s tobacco leaf market in ways that depress prices, contribute to national poverty and the nation’s economic dependence on tobacco farming. Jon Kapito’s Consumers Association of Malawi is the target of a tobacco company lawsuit at present, because of his tobacco control advocacy. He has sent out to the Globalink network a call for international support for his predicament.

{ I am not even sure of my own legal capacity to speak of a friend’s family experience here in New Zealand, where litigation experience with a tobacco company in New Zealand led to a settlement out of court, and a promise demanded from the defendant that she could never speak with or be involved in the New Zealand tobacco control community again!}
But I can vouch for the fear this power and influence with the law has through personal experience. Last year I registered with my married name to a conference where an ex-tobacco executive, Dave Bryans was speaking. The use of my married name was broadcast through the New Zealand media as a deceptive tactic of tobacco control. I was then contacted privately by Dave Bryans via email, and felt a chill when I read “I am concerned that your assertions (and any others which may not yet have come to light) could possibly constitute tortious, unlawful acts by you, namely the publication of defamatory imputations and affect the reputations of the members of the Canadian Convenience Stores Associations (CCSA) and Ontario Convenience Stores Association (OCSA).”

Contacts such as these made by a man who has the financial and legal means to destroy my goodstanding in New Zealand’s small public realm fills me with dread, so it is with trepidation and courage, then, that I carry on writing this submission.

Another seemingly bottomless pit appears to exist for tobacco’s lobbying expenditure. This is despite continual public condemnation of any lobbying performed against tobacco industry’s interests by the tobacco control community. I have already outlined BAT’s active interest in China’s entry into the World Trade Organisation, which makes a good international example, and shows the vast scope of commercial interests prompting this form of industry influence and power.

BAT’s Chairman and the Ceylon Tobacco Company (BAT’s subsidiary in Sri Lanka) Director were found to have membership on the finance committee for the International Congress on AIDS in Asia and the Pacific (ICAAP), as well as memberships between them on South Asia’s Regional Fund Board, the Commonwealth Development Corporation, the Ceylon Chamber of Commerce, the Securities and Exchange Commission, and the Insurance Board of Sri Lanka.

Such maneouvres of the tobacco company directors into influential positions at tables discussing and decision-making over-arching policies and strategies for whole nations, or nation’s vested political interests with neighbouring countries illustrates the way the tobacco industry imposes its own code of practices upon the wider community. Such positions ensure personal relationships and inclusion in networks that offer information and inside knowledge, which can be used to the tobacco industry’s advantage.

**Innovative marketing measures**

While legislation may ban advertising tobacco products, branding and packaging are effective measures that bypass these laws. It has been shown that the branding and packaging exercises of tobacco companies target the youth market in any given local region. In Norway, for example, where advertising for tobacco has been banned since legislation in 1975 (legislation so old it is rendered linguistically clumsy in its comprehension of advertising methods), cigarette brand and package design was seen in 2008 to still influence young smokers’ construction of their own identities.

Where there is still no legislation against tobacco advertising, the industry rampantly strategises to hook adolescent populations through marketing strategies. BAT and Philip Morris industry documents for Argentina, where there is no restrictions against tobacco advertising, reveal market segmentation strategies, psychographic studies that classify the young adult populations as “progressives”, “Jurassics” (or “conservatives”), and “crudos” (or “spoiled brats”), then link appropriate brands to each through value-associations in advertising campaigns.

In the international context, New Zealand’s local legislation restricting the advertising abilities of the tobacco companies are severely compromised. Product placement in blockbuster films, the most recent case being the part-New Zealand Film Commission-funded Avatar, makes the most public example of ways the industry still manage to promote smoking to the vast movie-going audience.

Other Hollywood endorsements of tobacco products is achieved through celebrity’s public brand loyalty. Today such public loyalties appear innocent among the promotion of a celebrity’s own career and story, but the history of active and contractual obligations of celebrities last century suggest privately negotiated mutual interests between these public figures and their brand’s manufacturers. Cigarette advertising campaigns with Hollywood endorsements carried on throughout the film industry’s formative years 1927 to 1951. Endorsement contracts between American Tobacco companies and movie stars and studios explicitly reveal the cross-promotional value of the campaigns, with some celebrities seeing up to US$218,000 (equivalent today US$3.2 million) for their personal testimonials.
There are many other viable marketing methods for tobacco companies, despite the legislative ban of advertising. Former ASH New Zealand Director Becky Freeman has conducted extensive studies of media such as Youtube and other online social networking vehicles, that can contravene local laws on advertising given its international infrastructure and domain-holdings, becoming covert means of keeping tobacco products in the minds of current and potential customers. The world wide web is increasingly being driven by consumer-generated content, and is used increasingly by young people as part of their normal everyday life.

Given the age-sector this medium engages, the cross-promotional value for tobacco companies is vast. BAT’s recent business technology endorsement of the Blackberry telephone/internet modum is an illustration of how mutually vested these media are becoming in selling themselves to the youth and business market.

Deception and Obstruction of Truth

There is little doubt that the tobacco industry in New Zealand, like in any other part of the world (due to the international subsidiary-based relationships the transnational tobacco companies have with every local market) are responsible in prolonging the delay in admitting to its customers the health risks posed by its products. There were repeated attempts throughout the twentieth century to instead reassure customers, falsely, that smoking was not addictive and not as harmful as the science was leading them to conclude, and then there was company obstruction tactics against the placement of health warnings on tobacco packaging.

Reassurance from New Zealand tobacco companies that the health risks from second hand smoke are not founded or real are documented extensively by Thomson and Wilson, and form part of the tobacco industry’s promotion and marketing of their products. Their evidence suggests that the tobacco industry in New Zealand, like everywhere else, opposed all substantive measures to help reduce tobacco consumption, opposed any prevention of uptake of smoking by youth, and opposed the protection of the national population from second-hand smoke, including compensation to sufferers already harmed by tobacco exposure.

Review of BAT documents reveal the tobacco industry in New Zealand and its lawyers always had close contact with their colleagues in the USA, Britain, Australian and elsewhere, sharing knowledge, and often splitting litigation costs. Rather than execute independent measures and strategies in the face of rising knowledge of the harmful effects of tobacco use, in order to become more accountable to New Zealand’s local population of tobacco consumers, the subsidiaries of the transnational tobacco companies followed and repeated the irresponsible behaviour of their parent companies.

Such conduct reflects the chain of demand and eradication of local obligation from corporate procedure. It makes it very difficult to lay any “blame” or authority in decision-making with local executives. “Following orders” or international standards for local subsidiaries make the transnational corporate structure a legal beast of unaccountability all the way through local to global levels of policy making and decision-making. In the mean time the public has been obstructed from their consumers’ right to know the truth about tobacco products available and continually promoted to them in the marketplace.

In terms of power and influence, this discrepancy between accountability of the tobacco industry insiders and knowledge of the tobacco product’s consumers has created a profound inequality in the marketplace. If an industry’s corporate infrastructure is crafted so carefully and in such a protected way by the laws of “free market” and “fair competition”, who can be held to blame for the deaths and disease of the industry’s product? The answer is of course the people: where an industry by definition is nothing outside of legal definition, then the people operating its business operations, at each and every level, from growing and manufacturing through to packaging and retail display, are each given the opportunity and the choice to direct the industry’s conduct ethically or unethically, and the choice is daily made.

Part Three: Standpoints to regard the Tobacco Industry.

In Conclusion:

Whenever there are disparities in regard to a situation or system of relations, there evolves the politics of this difference. I believe it is an important aspect of an Inquiry to analyse the different perspectives held in regard to the tobacco industry, because it reintroduces an appraisal of the values and interests of the differing groups, and makes available again an “ethical” conclusion of the Inquiry to the political economy of these
relations. Due to my trust in the Maori Affairs Select Committee’s capacity to draw an ethical conclusion from this Inquiry, I will refrain from any personal judgement when listing some of these perspectives.

- **A Global vs. Local academic perspective:**
  I have attempted, as a sociologist, to review the power and influence axis and disproportion between the industry itself and the local market populations it has economic, health, cultural, social and developmental impacts upon. This axis is entirely due to the difference in scale between a globally operative legally protected and politically connected capitalist industry and each singular consumer, holding a wallet in their local market.

  It should be noted, within capitalist societies, any money in a consumer’s wallet is earned through the transformation of an individual’s labour power into one more commodity for market exchange: wage-labour reduces the individual itself to an exchangeable item of the industry, and spare change reserved for cigarettes by a consumer is his or her equivalent “surplus value” in the labour exchange. The individual’s very mode of living is thus appropriated into the capitalist mode of production for maximal return of investment.

  The global vs local perspective reveals in a very clear way the unequal portions of power and influence distributed between consumers operating individually, and the industry networked worldwide, given that their operative mode runs on exactly the same capitalist means of production.

- **The Indigenous perspective** such as Maori:
  Capital is regarded in far more holistic ways by indigenous cultures, integrated in the oral cultures and genealogical bloodlines of their populations. Maori, for instance, had developed a complex stratification of their societies based upon the principals of “mana” (socio-political capital) and “utu” (reciprocity, or exchange) by the time Europeans began colonising their lands. This put them in good stead for comprehending political economies introduced by the foreigners, but also ensured foreign discrimination and mistrust for their prescribed customs on embarking in intercultural trade relations.

  There were fundamental oppositions between Maori’s forms of socio-political capital and the Western politico-economic form that determined capitalist production and trade. Holding mana amongst Maori implied their generosity and leadership, the indebtedness of others, which eliminated private interest in trade situations and guaranteed the corporate interests and holdings of entire iwi. This entirely disregarded any distinction between present and living iwi and those gone and those not born. Traders in western capitalist terms did not bind their own status within society at all with the products they bought and sold, and the corporate interests and holdings of the west were strictly negotiated in the present and based on a fluctuating present market value.

  Tobacco’s introduction as a product for trade in New Zealand meant an entirely new capital resource amongst Maori, despite its globally established capitalist enterprise everywhere else. Tobacco exchange is evident in the relations between Maori and first contact settlers, the sale of Maori land, even in the signing of the Treaty of Waitangi, and the establishment of tobacco’s capital value characterise the opposing regards for capital between the foreigners and Maori. The pervasion and dominance of the Western terms for capital left entire iwi liable in trade negotiations, and given tobacco’s introduction, promotion and use as currency in exchange between Maori and settlers, tobacco is integrally tied to the story of New Zealand’s colonisation.

  Given the addictive quality of tobacco, and the now pervasive use within Maori populations, this integral involvement of tobacco in New Zealand’s story of colonisation can lead Maori to regard the tobacco industry in general as a vehicle by which colonisation and cultural monopoly by the west took place.

- **As a social/health epidemic:**
  Amongst the health sector, the tobacco industry is seen as a vector of disease, and tobacco use is regarded in terms of a global epidemic. This perspective is given weight when compared with other vectors, such as the malaria parasite, which is transmitted by mosquitos, and kills two million people each year, less than half the people tobacco kills.

  A program of intervention for an epidemic such as malaria includes treatment of all who are infected, drugs developed to prevent its onset, protective gear to stop people’s exposure, and measures to reduce the number of vectors – the mosquito. The health sector poses the question continually why the tobacco industry should not be treated in exactly the same way and with the exact same seriousness by government.

- **A consumer aware perspective:**
Since proof of nicotine’s addictive quality and smoking’s harmful impacts have come to light, consumers have had increasing awareness of the tobacco industry’s callous disregard for their rights to full disclosure of product information. Industry documents themselves reveal that upon research findings that concluded nicotine’s addictive quality, this aspect of the product was acknowledged as a lucrative advantage for the tobacco industry, and the capitalist enterprise itself could be defined in terms of “addiction production” as much as it could “tobacco production”. xcvi

Consumers are increasingly politically aware of the cynical ways they are engaged by promoters of capitalist products, so that the very space and movement through it of individuals becomes coerced and transformed perpetually into commercial space, in which they are interpellated into consumptive practices. The political economy of information leaves many means of knowledge surrounding products and their industry already interpellated in this way, and information streams sponsored and privatised in the interests of those marketing and producing particular products, channel audiences and readerships toward their exposure.

New Zealand’s public space, in this regard, is compromised increasingly by transnational corporate interests, when parts of it with the greatest visibility or broadcast are “sold” to marketing firms for their private display of products and information, or controlled by the market interests of industry stakeholders and Boards of Trustees. The tobacco industry around the world is active in the colonisation of everyday interactive space in this way, and the consumer is left feeling increasingly jaded and/or exhausted by the extent to which their “savvy” in consumer awareness is continually undermined.

- The Capitalist Economic perspective:

All previous perspectives aside, a small population of individual investors persist in seeing the tobacco industry as a viable stock option, because of its international inroads to accumulative local profit margins. Over a 50 year period, Philip Morris is seen to be by far the best original S&P 500 stock, returning on average 19% annually to its shareholders. xcviii

Compounding reinvested dividends, the inherent volatility in share price, the sales and international growth potential leave long term shares in transnational tobacco companies a strong investment strategy, despite the fact that in many home locations of the investors the domestic cigarette industry is not a growth market. The CEO of Philip Morris International reported in 2009 to its shareholders he expected a volume growth of 1% annually organically (market) and 2% including acquisitions, a growth in net revenues after excise taxes of 4-6%, as well as a growth in operating companies income of 6-8%, meaning earnings per share was estimated at 10-12%! xcix

So long as there are shareholders in the tobacco industry, this business sector will continue, and with African and Chinese markets still in the process of opening up for the transnational tobacco companies, growth and return of investment is insured. More and more investment into litigation lawyers and lobbying strategists appear for now to be able to stem local tobacco control movements at a cost not in the least damaging to the profit margin comparatively, and so long as smoking can be promoted successfully to the least aware consumer – youth – this industry appears a lucrative investment for any ethically immune investor.

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